

# STATE

## PUBLIC ACT 310 OF 1998

Analyst: Craig Thiel

	FY 1997-98 YEAR-TO-DATE APPROPRIATIONS	FY 1998-99 ENACTED APPROPRIATION	FY 1998-99 ENACTED CHANGE FROM FY 1997-98	
			AMOUNT	PERCENT
FTE POSITIONS	2,084.9	2,014.1	(70.8)	(3.4)
GROSS	\$163,198,600	\$170,157,900	\$6,959,300	4.3
IDG/IDT	44,361,700	46,604,600	2,242,900	5.1
ADJUSTED GROSS	\$118,836,900	\$123,553,300	\$4,716,400	4.0
FEDERAL	937,900	959,600	21,700	2.3
LOCAL	0	0	0	0.0
PRIVATE	884,300	884,500	200	0.0
OTHER	56,973,900	59,227,200	2,253,300	4.0
GF/GP	\$60,040,800	\$62,482,000	\$2,441,200	4.1

### HB 5595

Referred to  
Appropriations  
02/19/98

Passed House  
05/13/98

Passed Senate  
05/27/98

Conference  
Approved by House  
07/01/98

Conference  
Approved by Senate  
07/01/98

Effective  
07/30/98



## **OVERVIEW - STATE**

The Department of State is headed by the Secretary of State, an elected official serving a four-year term. The mission of the Department is to provide the most efficient and effective services to residents of Michigan in the areas of licensing drivers and registering and titling vehicles; regulating automobile dealers and repair facilities; registering voters and administering elections; preserving Michigan's history; and collecting revenue.

The Department collects over \$1.6 billion in state revenues annually, and maintains records of 6.6 million licensed drivers and 7.8 million registered vehicles. The vast majority of the Department's business is conducted through the statewide branch office system which processes over 60,000 transactions daily. In an effort to improve efficiency, reduce costs, and maximize customer service, the Department is aggressively implementing various new modes of service delivery as alternatives to the traditional branch office system. The FY 1998-99 budget reflects the Department's continued commitment to these new service modes.

The FY 1998-99 budget includes \$170.2 million Gross and \$62.5 million GF/GP, an increase of 4.3% and 4.1% respectively, over the FY 1997-98 appropriation levels. During the FY 1998-99 appropriations process, concerns were raised over the level of funding to the Department from the Michigan Transportation Fund (MTF). As recommended in a recent audit issued by the Office of the Auditor General, the Department has developed a cost allocation plan to support its charges against the MTF.

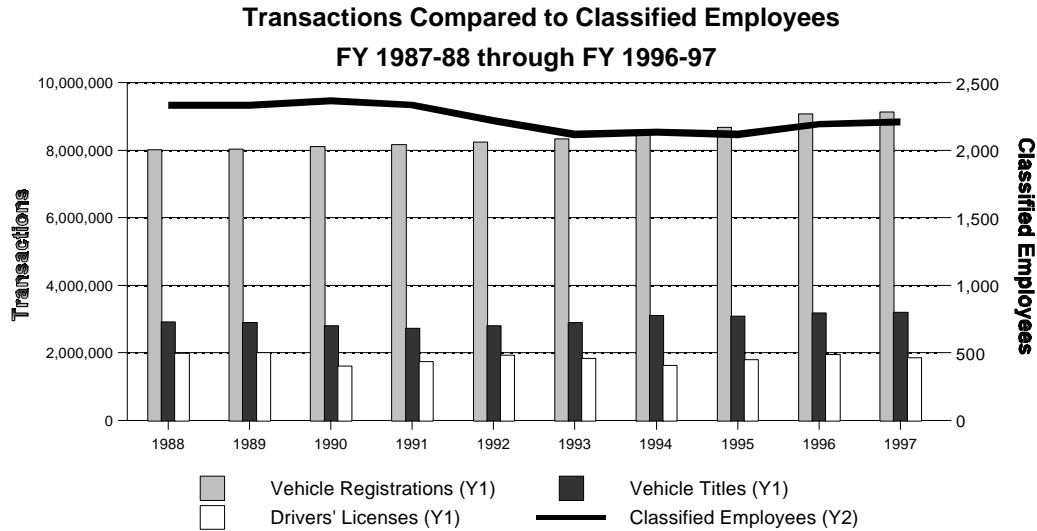
Major budgetary enhancements for FY 1998-99 include implementation of the permanent fleet registrations and driver privacy protection programs. Funding is also included in the budget for increased on-going costs associated with the new data communication system and data exchange gateway.

The new branch office data communication system implemented in FY 1997-98 requires a migration to the industry-supported communication protocol TCP/IP. The enacted budget includes \$800,000 (Gross) and \$400,000 (GF/GP) to cover the on-going costs of this conversion. The budget also includes funding (\$550,000 Gross, \$275,000 GF/GP) to cover the Department's costs of using the DMB-run data exchange gateway (MIGATE) in order to facilitate the sharing of information with outside organizations, such as law enforcement and insurance companies.

The enacted budget provides a grant of \$71,200 (GF/GP) to the Michigan Military and Space Museum. Also, funding is included (\$71,200 GF/GP) to cover administrative costs associated with the operation of the Michigan Freedom Trail Commission.

Funding is provided in a FY 1997-98 supplemental for computer hardware upgrades associated with the Qualified Voter File (\$400,000 GF/GP) and to begin the migration to an imaging-based document management system (\$1.0 million Gross, \$500,000 GF/GP).

The following chart highlights annual transactions compared to the average number of classified employees for the Department of State over a ten-year period. In general, the level of selected transactions has trended upward as the level of total classified employees in the Department has remained relatively constant over the same period.



Source: Department of State

## MAJOR BUDGET CHANGES: FY 1998-99

### Budget Issue

#### **1. Program Enhancement - Branch Office Communications**

The 177 branch offices maintained by the Department process about 16 million driver- and vehicle-related transactions annually. The branch offices have been equipped with substantially the same computer system since the technology was introduced in the branch offices in the 1970s. To address the technology needs of the branch office system, the Department requested and received a supplemental appropriation in FY 1996-97 to purchase and install upgraded equipment. However, the new equipment requires a different data communication protocol. Therefore, with implementation of the equipment planned for September 30, 1998, the Department will need to address the communication needs of the new equipment. The budget includes \$800,000 (Gross) to fund the anticipated additional ongoing costs of the new communication technology.

**Gross  
GF/GP**

**Change from  
FY 1997-98**

**\$800,000  
\$400,000**

**MAJOR BUDGET CHANGES: FY 1998-99**

<u>Budget Issue</u>		<u>Change from FY 1997-98</u>
<b>2.     <i>Program Enhancement - Record Exchange</i></b>	<b>Gross</b>	<b>\$550,000</b>
The enacted budget provides \$550,000 (Gross) in funding to cover the Department's costs associated with using the statewide data exchange gateway (MIGATE) maintained by DMB. The use of this gateway is critical for efficient record exchange between the Department and many outside organizations. The exchange of data is a key component in many of the customer service initiatives the Department is engaged in, such as electronic insurance verification for vehicle registrations.	GF/GP	\$275,000
<b>3.     <i>New Program - Driver Privacy Protection</i></b>	<b>Gross</b>	<b>\$337,300</b>
The Federal Violent Crime Control and Law Enforcement Act of 1994 contained provisions to prevent stalker crimes. The Act requires states to restrict the availability of personal information from driver and vehicle records. Legislation implementing the driver privacy protection provisions of the federal law was passed in August 1997. While most portions of the state legislation have been implemented with existing resources, others require additional funding. The budget contains \$337,300 (Gross) in funding to implement the remaining portions of the law, and to support previously unfunded ongoing program maintenance and communication requirements under the law.	GF/GP	\$0
<b>4.     <i>New Program - Permanent Fleet Plates</i></b>	<b>Gross</b>	<b>\$233,100</b>
Public Act 551 of 1996 authorized the Department to issue a permanent plate to qualifying vehicles rather than the annual plate registration tabs. It is estimated that more than 1,000 fleets involving about 90,000 vehicles will be eligible for this new program. The program will streamline the amount of time the Department and the fleet owners spend on the yearly registration process. The enacted budget includes \$233,100 (Gross) for the postage and plate costs associated with the new program. Funding is recommended from the Michigan Transportation Fund.	GF/GP	\$0
<b>5.     <i>Military and Space Museum</i></b>	<b>Gross</b>	<b>\$71,200</b>
The budget includes a grant of \$71,200 (GF/GP) to the Michigan Military and Space Museum to electronically catalog artifacts.	GF/GP	\$71,200
<b>6.     <i>Freedom Trail Commission</i></b>	<b>Gross</b>	<b>\$71,200</b>
The budget provides \$71,200 (GF/GP) to support the operations of the Michigan Freedom Trail Commission. This appropriation is contingent on passage of legislation creating the Commission. The funding will be used to reimburse commission members, to pay for necessary contractual services, and to hire one staff person.	GF/GP	\$71,200

**ECONOMIC AND RETIREMENT ISSUES: FY 1998-99**

**ECONOMIC ISSUES**

<p><b>1. Secretary of State's Salary</b> The budget includes funding to increase the Secretary of State's salary to \$124,900 per annum for the next four years beginning in 1999. Per the constitution, the Legislature can only set the salary at the beginning of each four-year term.</p>	<p><b>Gross</b> GF/GP</p>	<p><b>\$12,900</b> \$12,900</p>
<p><b>2. Unclassified Salaries</b> Included is \$12,600 (GF/GP) to provide a 3.0% increase above the FY 1997-98 level for the Department's unclassified positions line item. The FY 1998-99 budget provides authorization for 5.0 unclassified FTE positions and \$431,600 for salaries.</p>	<p><b>Gross</b> GF/GP</p>	<p><b>\$12,600</b> \$12,600</p>
<p><b>3. Standard Economic Adjustments</b> The budget includes additional funding for standard economic adjustments associated with salaries and wages, insurances for employees, building occupancy charges, motor transport, postage and mail handling, and worker's compensation. Cost savings for retirement result from changing actuarial funding methods and assumptions in the State Employees' Retirement System.</p>	<p><b>Gross</b> GF/GP</p>	<p><b>\$1,939,600</b> \$763,600</p>

**RETIREMENT ISSUES**

None

**MAJOR BOILERPLATE CHANGES: FY 1998-99**

***Automotive Repair Facilities Video***

New language (Section 818) is included that authorizes the Department to produce and sell copies of a training video designed to inform repair facilities of their obligations under Michigan law. The fee the Department is authorized to charge can not exceed the cost of production and distribution of the video.

**VETOES: FY 1998-99**

None

**REVENUE INCREASES: FY 1998-99**

***Automotive Repair Facility Fee***

The budget includes authorization for the Department to charge a new fee to cover the costs of producing and distributing copies of a training video designed to inform repair facilities of their obligations under Michigan law.

**SUPPLEMENTAL APPROPRIATIONS: FY 1997-98**

- |  |              |                      |
|--|--------------|----------------------|
| <b>1. Program Enhancement - Document Management</b>  | <b>Gross</b> | <b>\$1,000,000</b>   |
| The Bureau of Driver and Vehicle Records currently handles over 27 million paper documents annually where certain information is extracted and stored in computer mainframe files and the documents transferred to microfilm for future retrieval. The Bureau receives requests for approximately six million record look-ups yearly which are handled through the current paper/electronic/microfilm-based system. This system, however, is extremely labor intensive and time consuming. A FY 1997-98 supplemental appropriation provides \$1.0 million (Gross) to begin the migration to a new document management storage and retrieval system based on imaging technology. This funding was originally included in the FY 1998-99 budget. | GF/GP        | \$500,000            |
| <b>2. Program Enhancement - Qualified Voter File</b>   | <b>Gross</b> | <b>\$400,000</b>     |
| A FY 1997-98 supplemental appropriation includes \$400,000 (GF/GP) for upgrading Qualified Voter File (QVF) hardware. The current-year appropriation for the QVF includes funding for hardware purchases and software development but not hardware upgrades, which will be needed in FY 1998-99 when the original hardware turns three years old. This funding was originally included in the FY 1998-99 budget.   | GF/GP        | \$400,000            |
| <b>3. Retirement Savings</b>   | <b>Gross</b> | <b>(\$3,779,700)</b> |
| Retirement savings are realized from changing the actuarial funding methods and assumptions of the State Employees' Retirement System. These savings are reflected in a negative supplemental appropriation for FY 1997-98.  | GF/GP        | (\$1,449,000)        |